

Stock market falters with weak IPOs

The unwarranted approval of low quality Initial Public Offerings (IPOs) has shattered the confidence level of general investors as the share price of most of the companies plunged after abnormal hike on their debut on the stock exchanges. Veteran stock market experts have spotted such rotten IPOs as one of the root causes of the ongoing bearish onslaught in the stock market. The Dhaka bourse has continued to bleed for the last twelve consecutive weeks where the broad index of the bourse, DSEX, lost around 645 points during the period to finish at 5,321.41 points. The experts have opined that the sponsor-directors and placement holders of such IPOs dump their shares after lock-in period and the general investors bear the brunt of the price plunge. Market experts have also noted that a kerb market centering on placement shares has drained a hefty amount of funds from the secondary market leaving the market in tight corner. Some officials of the Dhaka Stock Exchange (DSE) have opined that the situation has exacerbated so much that the bourse has recently decided to withhold the listing of any new company until the market volatility eases.

World Bank fears the fate of redundant number of banks

The World Bank (WB), one of the Bretton Woods Institutions, has pressed the government of Bangladesh to merge the ailing banks with stronger ones since many unwarranted banks were given licenses in political connections and the banks are now mired in the mounting Non-Performing Loans (NPL). The suggestion has been delivered to a delegation headed by the Finance Minister of Bangladesh participated in the spring meetings of the Bretton Woods institutions. The WB has also urged the government to revamp the apparently moribund capital market. The Finance Minister has welcomed the suggestions and assured the global lender to conduct necessary reforms in the banking sector. The minister has also informed the WB that Bangladesh Bank (BB) has been working to frame a guideline to facilitate merger and the government has already taken decision to increase the paid-up capital of the commercial banks to Tk10b from the existing Tk4b. Moreover, government has assigned some audit firms to get the actual situation of NPLs. According to the statistics of BB, the total amount of NPLs in the banking sector stood at Tk939.11b at the end of 2018, 10.30% of total outstanding loans. To tackle the unbridled NPLs, BB has also moved to form an Asset Management Company (AMC) to deal with the growing NPLs of the banks where the AMC will purchase NPLs from the banks and sell them off to individuals or corporate entities.

Revenue collection hit hard in July-March

Sluggish revenue collection by the National Board of Revenue (NBR) poses a great challenge for the government at the end of nine months (July-March) of the FY2018-19 as all three wings of the tax authority failed to achieve their respective targets. According to the provisional figures of the NBR, revenue collection fell short of the target by more than Tk510b in the first nine months of the fiscal year. During the period, the tax officials could collect Tk2.04 trillion with a growth of only 6.51% whereas the growth rate was 13.15% in the corresponding period of last fiscal. The NBR faced the highest deficit in Value-Added Tax (VAT) of Tk194.57b followed by income tax some Tk170b and customs duty Tk150b. The Ministry of Finance has hinted that the target of revenue collection for the fiscal would be reduced by Tk160b and instructed the NBR to expedite revenue collection drive to minimize the hefty shortfall in revenue collection.

Lending rate for industries on rise

The liquidity pressure is slowly pushing banks to hike up their lending rates. The industrial sector has been experiencing the increase since many industries have been asked as high as 16% interest rates against loan by several banks. Bangladesh Bank (BB) statistics showed that several banks increased the lending rate to 1%-3% points while some are even charging up to 16% interest on the businesses. According to bankers, banks are in tight situation ahead of the adjustment of Advance Deposit Ratio (ADR) by September 30, 2019 to comply with the regulatory instruction. They attributed the liquidity crunch in the sector to the high return offered by National Saving Certificates (NSCs) which has been pulling most depositors, leaving banks in shortage of deposits. Banks borrowed around Tk420b from the central bank through repurchase agreement (REPO) between July, 2018 and till April 9, 2019 to handle the shortage in money supply while they borrowed only Tk5.72b in the entire FY2017-18. However, the surge in lending rate might lead to a blow to investment, industry people fear.

ROA of Banks drop due to rising NPLs

The mounting amount of Non-Performing Loans (NPLs) has been weakening the profit generating capacity of banks. According to figures of Bangladesh Bank (BB), the Return on Assets (ROA) of banks plunged by 57% in 2018. In 2018, the net profit of banks against their assets came down to around 0.30% which was around 0.70% a year earlier. Economists attributed the drop in ROA of banks to the increasing amount of classified loans in the sector. BB reports that the NPLs of banks rose by Tk196.08b as of December 2018 against that of December 2017. The NPL amount stood at Tk939.11b or 10.30% of total disbursed loans at the end of December 2018.

PROFITABILITY RATIOS OF DIFFERENT TYPES OF BANKS

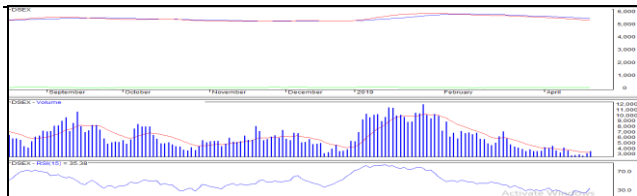
Bank Types	Return on Assets (%)	
	2017	2018
State-owned Commercial Banks	0.2	-1.3
Specialized Banks	-3.5	-2.8
Private Commercial Banks	0.9	0.8
Foreign Commercial Banks	2.2	2.2
All Banks	0.7	0.3

Source: Bangladesh Bank (BB)

Government clearing bank borrowing using NSCs

The government added zero net borrowing in the first nine months of FY2018-19 as the government met its budget deficit through selling National Savings Certificates (NSCs). Despite high interest expense, government is preferring NSCs for deficit financing. The net bank borrowing of government declined to Tk870.01b as of April 07, 2019 against Tk882.57b in FY2017-18. Experts reportedly regarded such preference of government for costly saving tools to finance the deficit over low-cost funds of banks as political decision. The government set the size of the fiscal budget for FY2018-19 at Tk4.64-trillion and of which, Tk2.96-trillion was set as revenue collection target. However, the revenue collection in July-February period of the fiscal year stood at Tk1.33-trillion, which is only 45% of the annual target. Although, the government targeted to borrow Tk420.30b from the banking sector and the rest Tk291.97b from national savings scheme sales and non-banking sources according to the national budget 2018-19, government borrowed net zero from banks and collected Tk356.02b by selling NSCs to finance its deficit.

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	2,905.03	2,907.41	-0.08
FTSE 100	7,459.88	7,437.06	0.31
Nikkei 225	22,200.56	22,183.87	0.08
SENSEX	39,140.28	38,871.15	0.69
KSE 100	37,292.47	37,453.15	-0.43

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	5,321.41	5,326.39	-0.09
Total Turnover, Tk	12,326,204,471.00	16,734,925,755.00	-26.34
Market Capital, Tk	3,365,190,297,910	3,389,967,419,539	-0.73
No of Issue Gain	176	52	
No of Issue Loss	143	280	
No of Unchanged Issues	29	19	

Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Standard Ceramic	156.30	209.10	33.78	97,555,000
United Insurance	55.40	65.10	17.51	55,187,000
Mercantile Insurance	27.50	31.80	15.64	20,873,000
Hakkani Pulp	58.20	66.70	14.60	27,211,000
Active Fine	24.50	26.90	9.80	80,301,000
Fine Foods Limited	39.00	42.80	9.74	97,146,000
H.R. Textile Ltd.	39.10	42.70	9.21	15,120,000
Bangladesh Shipping	43.00	46.90	9.07	116,744,000
Provati Insurance	30.30	32.90	8.58	118,516,000
Takafal Islami Ins	26.50	28.60	7.92	12,727,000

Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Reckitt Benckiser	3268.8	2294.30	-29.81	180,806,000
Monno Ceramic	334.10	262.50	-21.43	686,853,000
GSP Finance Company	19.80	17.30	-12.63	29,796,000
Monno Jute Staffers	1443.5	1275.20	-11.66	223,553,000
Islamic Finance	18.10	16.00	-11.60	16,707,000
BRAC Bank Ltd.	73.70	65.20	-11.53	185,328,000
Heidelberg Cement	287.20	264.70	-7.83	29,081,000
Legacy Footwear Ltd.	122.00	112.60	-7.70	154,688,000
First Finance Limited.	5.40	5.00	-7.41	681,000
United Airways (BD)	2.80	2.60	-7.14	7,577,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	409.00	414.80	-1.40	971.71	1,335.59	-27.25
Cement	285.62	290.58	-1.71	141.33	274.59	-48.53
Ceramic	698.54	744.14	-6.13	802.00	638.47	25.61
Engineering	2,440.47	2,415.91	1.02	1,552.17	2,252.48	-31.09
Food & Al.	4,816.35	4,960.82	-2.91	442.01	1,281.57	-65.51
Fuel & Pow.	4,123.53	4,163.43	-0.96	1,101.00	1,952.14	-43.60
Insurance	1,467.83	1,446.61	1.47	982.79	869.84	12.98
IT	323.17	315.61	2.39	195.63	241.51	-19.00
Jute	2,203.28	2,276.39	-3.21	63.58	58.99	7.77
Misc.	1,385.66	1,406.95	-1.51	506.94	495.02	2.41
Mutual Fund	426.90	424.70	0.52	47.68	82.28	-42.05
NBFI	1,115.13	1,156.67	-3.59	294.04	574.60	-48.83
Paper	9,269.75	9,160.32	1.19	56.85	44.88	26.65
Pharma	1,171.77	1,189.81	-1.52	1,289.98	1,846.27	-30.13
Service	1,085.21	1,075.44	0.91	72.50	84.07	-13.76
Tannery	907.33	922.33	-1.63	966.55	937.18	3.13
Telecom	3,459.19	3,445.58	0.40	864.09	1,201.38	-28.08
Textile	1,483.66	1,472.34	0.77	1,165.62	1,700.05	-31.44
Travel & Leis	473.18	478.17	-1.04	59.64	60.94	-2.12

Technical Talk

Dhaka stocks prolonged the bearish vibe in the last week ended on Thursday extending the losing streak for the twelfth straight week as anxious were still in dearth of confidence. The nervous investors sold their holdings mostly from financial institutions, food, pharma and power sectors. Among the major losers, Ceramic sector decreased by 6.13% over the week followed by NBFI 3.59%, Cement 1.71% and Pharma 1.52%.

DSE Broad Index (DSEX) reached 5,321.41 points decreased marginally by 4.98 points or 0.09% from the previous week. Total turnover reached at Tk12326.20m which was 26.34% lower than the previous week. Market capitalization also decreased by 0.73% and stood at Tk3365.19b (\$39.90b) at the weekend against Tk3389.97b. DSE 30 decreased by 5.40 points or 0.28% and closed at 1,897.58 points against 1,902.98 points. Last week's weighted average Market PE was 14.36 which was 14.48 previous week.

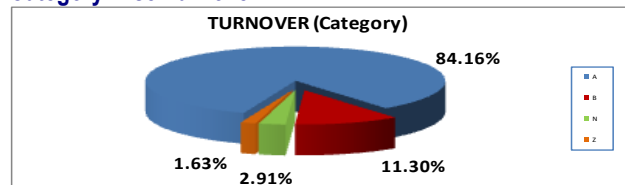
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Fortune Shoes Limited	21,104,200	764,801,000	6.20
Monno Ceramic	2,434,699	686,853,000	5.57
Bangladesh Submarine	3,918,389	644,265,000	5.23
United Power Generation	1,472,598	479,685,000	3.89
Esquire Knit Composite	5,747,389	245,911,000	2.00
Square Pharmaceuticals	926,355	239,591,000	1.94

Top 10 Market Capital

Company	Market Capital (In million)
GP	497,451
BATBC	265,824
Square Pharma	204,353
United Power	157,141
RENATA	94,106

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1,272.20	1,290.60	-1.43
Silver (USD/t oz.)	14.92	14.92	0.01
Brent Crude Oil (USD/bbl.)	71.62	71.55	0.10

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	84.35	84.40	84.35	84.40	0.00	0.00
EUR	95.39	95.44	95.90	95.96	-0.54	-0.54
GBP	109.96	110.03	110.72	110.79	-0.69	-0.69
AUD	60.65	60.69	60.82	60.86	-0.28	-0.28
JPY	0.76	0.76	0.76	0.76	0.00	0.00
CAD	63.33	63.37	63.61	63.65	-0.44	-0.44
SAR	22.61	22.62	22.61	22.62	-0.01	-0.01

Based on Standard Chartered selling rates to public in Taka. Notes: USD-US Dollar, GBP-Great Britain Pound, AUD-Australian Dollar, JPY- Japanese Yen, CAD-Canadian Dollar, SAR-Saudi Riyal.

Last Public Offerings

Company	Subscription Period	Offer Price	IPO (M.Tk)
Runner Automobiles	Jan 31 - Feb 10, 2019	67	1,000
New Line Clothings	Feb 18 - Feb 28, 2019	10	300
Silco Pharmaceuticals	Mar 07 - Mar 19, 2019	10	300
Coppertech Industries	Mar 31 - Apr 09, 2019	10	200